



# Securing our future

## TERTIARY EDUCATION

BRIEFING TO INCOMING MINISTER

Friday 19th September 2014



## Contents

<b>Guide to this document</b>	<b>4</b>
<b>Part 1: New Zealand's tertiary education</b>	<b>6</b>
Tertiary education improves the lives of New Zealanders	8
Tertiary education includes all education beyond school	8
The Achievement Story for tertiary education	9
Educational achievement is improving	9
Research performance is improving	10
Tertiary education has a real impact for people	10
Government agencies work together to support tertiary education	11
<b>Part 2: New Zealand is changing – so is tertiary education</b>	<b>12</b>
The people in tertiary education are changing	14
Work, jobs, communities and workplaces are changing	15
New technology is bringing challenges and opportunities	16
International connections are increasingly important	17
A dynamic, responsive system will realise these opportunities	17
<b>Part 3: More relevant education that supports all learners to succeed</b>	<b>18</b>
We need to improve relevance	20
We have better information – we need to share it and use it more effectively	21
Providers need stronger connections with employers and communities – for students	22
Providers need stronger connections with employers and communities – for research	22
Building international relevance	22
We need to make tertiary education work for everyone	23
Support for all people to enter and progress through tertiary education	23
Better targeting of support	25
We need a more flexible, outcome-focused approach to regulating and funding the system	25
Funding and regulation have focused on education outputs and managing risks	26
A stronger focus on outcomes will improve relevance and equity	27
The shape of the tertiary sector will continue to change	28
<b>Working with you</b>	<b>30</b>

## Guide to this document

### Part 1: New Zealand's tertiary education

Part 1 sets out the relevance of tertiary education for New Zealand and how the system operates. It provides the Achievement Story for tertiary education. Tertiary education improves the lives of New Zealanders and helps to contribute to a strong society and economy. The tertiary education system helps people to build their skills and produces high-quality research, contributing to the success of people, communities, businesses and other organisations.

Part 1 also looks at the outcomes delivered by the tertiary education system. These outcomes are positive:

- ▶ educational achievement is increasing, with more people in study, in higher levels of study and completing the qualifications they begin – including more Māori and Pasifika
- ▶ research performance is improving, with more and higher quality research products
- ▶ many students are seeing good outcomes from their study, with their efforts being repaid by better rates of employment and pay, and better health and social outcomes.



### Part 2: New Zealand is changing – so is tertiary education

Part 2 sets out changes facing New Zealand and the wider world that will have an impact on tertiary education. The future success of tertiary education will depend on how the system adapts to these changes, which include:

- ▶ changes in the people participating in tertiary education
- ▶ change in the nature of work, jobs, communities and workplaces
- ▶ the challenges and opportunities of new technology
- ▶ the increasing importance of international connections.

## Part 3: More relevant education that supports all learners to succeed

Part 3 identifies how we can improve the outcomes from tertiary education for learners, employers and the country.

We consider that the greatest gains from tertiary education can be achieved by focusing on improving its relevance and how it reaches and meets the needs of all learners. This would mean:

Relevance	Reach
having information that supports providers to deliver high-value education, and students to make good decisions	improved and better-targeted guidance and careers advice, and pathways into and through tertiary education
more connections with industry, communities and international partners to meet the needs of learners, the economy and society	meeting the needs of diverse learners, supported by better targeting of resources from government
Enabling improvement across the system	
regulation and funding that enables providers, and the network of provision, to be flexible and responsive.	

## Working with you

This section outlines how the Ministry of Education is ready to work with you to improve the performance of tertiary education, delivering on your priorities as Minister.



1







New Zealand's tertiary education



## Part 1: New Zealand's tertiary education



### Tertiary education improves the lives of New Zealanders

Tertiary education improves the lives of New Zealanders in many ways, helping to make New Zealand a more successful and fairer country. It helps us to build strong communities, to develop and enjoy our diverse culture, and heritage, to innovate and to care for our environment. In particular, tertiary education helps people build their skills and knowledge, and recognises their achievements with formal qualifications. People with good qualifications are more likely to get good, well-paid jobs, and are generally happier and healthier.

Tertiary education creates jobs and wealth for New Zealand. It gives people the skills needed by employers in a labour force dependent on many factors, including migration and how firms use the skills available to them. International education is New Zealand's fifth largest export industry, and international education connections help New Zealanders and New Zealand businesses engage successfully with the world. Tertiary education organisations also deliver fundamental and applied research that benefits our communities and industries.

### Tertiary education includes all education beyond school

New Zealand is recognised internationally for its integrated tertiary education system that supports people to study at a variety of levels and in different learning environments. For example, NCEA Level 2 can be achieved in school or at a variety of tertiary education providers and can include credits gained in the workplace. All qualifications are part of a national qualifications framework so that similar qualifications represent the same level of attainment regardless of where they are gained. This creates flexibility with consistency and gives students more options. Technological change also means people have more opportunities than ever before to choose where, how and what they learn.

Tertiary students may be young people, or adults changing careers or developing additional skills while they work. Tertiary education options include:

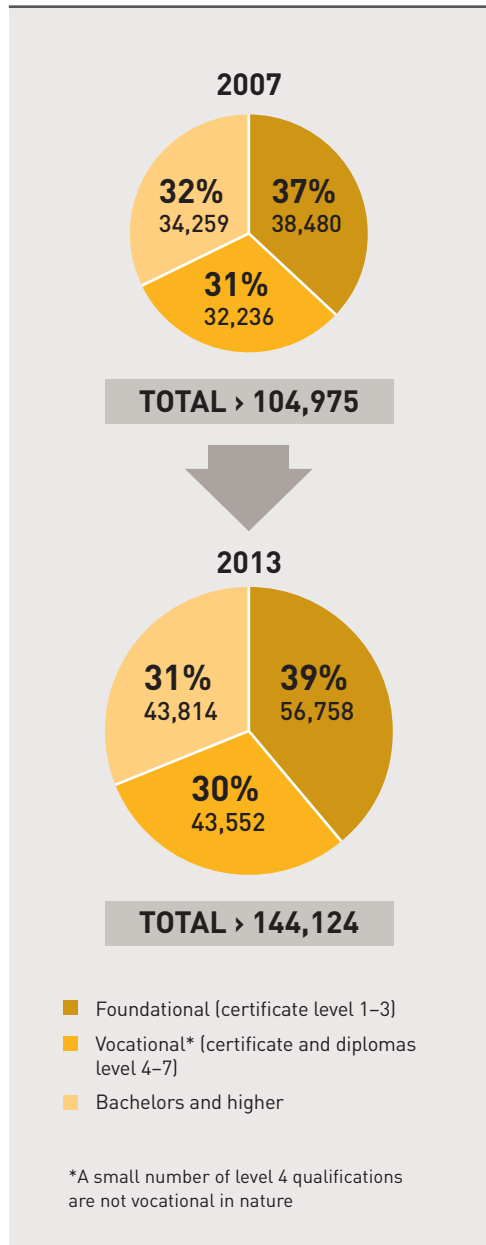
- ▶ foundation education, which provides the basic literacy, language and numeracy needed to participate in society and enter further study
- ▶ applied and vocational training, which provides qualifications for a career or profession either on-the-job or outside work
- ▶ higher education, including degree and postgraduate education, which aims to provide advanced skills including for academic or professional roles
- ▶ community education, which engages people with learning and plays an important role in bringing people with low or no qualifications into tertiary education.

The tertiary education sector is a large part of our economy and communities, and it contributes a lot – both because of its size and the work that it does. In 2013:

- ▶ there were half a million people studying – over a third of 18- to 24-year olds were in some kind of tertiary education, and 127,000 domestic students completed a qualification
- ▶ around 55% of 25- to 34-year-olds had a trades or professional qualification (level 4 or above)



**Figure 1. Domestic students are completing more qualifications**



- ▶ there were almost 50,000 international students
- ▶ over 190,000 people were borrowing from the Student Loan Scheme
- ▶ domestic students paid around \$1 billion in fees.

Government will spend over \$4.2 billion on tertiary education in 2014/15. This spending will mainly relate to tuition subsidies for providers, loans and allowances.

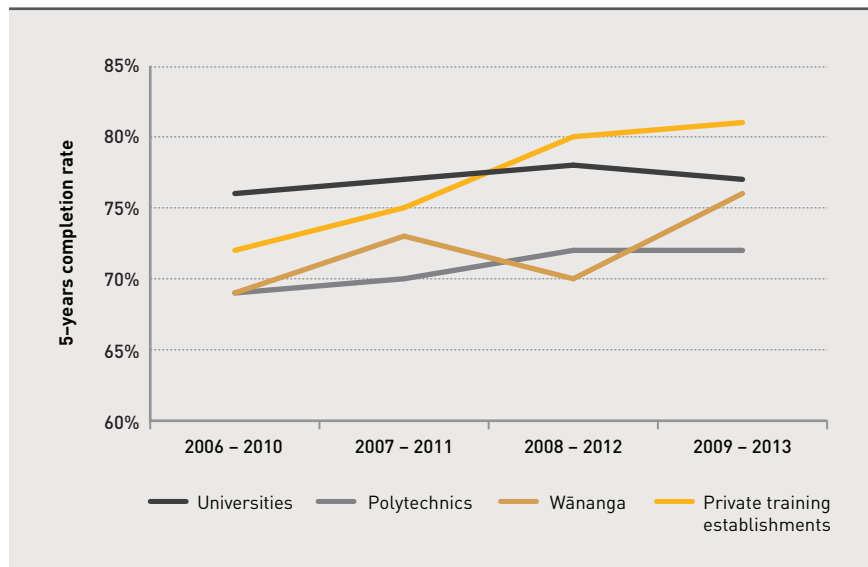
## The Achievement Story for tertiary education

### Educational achievement is improving

Overall, the tertiary education sector is responding well to the need to improve results for learners. It has met the increased demand for study and training in a changing economy. More people are studying towards higher-level qualifications, studying more intensively and completing more qualifications. Students and government are getting better value for every dollar spent on tertiary education.

As a country, we need tertiary education to deliver more of the skills and research that will generate a stronger, more successful economy and society. Higher qualifications in the population make the most difference when they lead to increased productivity. New Zealanders are increasingly working in a competitive, global labour market: it is easier than ever before to work internationally. To realise the benefits of our investment in tertiary education, New Zealand businesses will need to attract and effectively use the skills of the people we educate and train.

Over the past 20 years, participation in tertiary education has become the norm for young people. More and more young people are moving straight from school into tertiary education. NCEA achievement rates have increased, and there are better links and transition options between school and tertiary education.

**Figure 2. More full-time students are completing qualifications within five years**

The student support system has also supported increased participation. In 2013, there were 190,000 people borrowing from the Student Loan Scheme, and half a million borrowers who had completed their studies. In 2014/15, government will spend around \$530 million on student allowances and \$770 million on the Student Loan Scheme.

Since the global financial crisis, study effort has intensified as more people have moved into full-time study. Full-time study generally leads to better achievement. Industry trainees are also doing more hours of learning per week, following recent improvements to the industry training system.

More people are studying at degree and postgraduate levels, where the economic benefits from qualifications are generally greater. More Māori and Pasifika young people are gaining trades and professional qualifications. However, although attainment is rising, degree-level participation is still significantly lower for Māori and Pasifika people.

Completion and retention rates in tertiary study have improved rapidly since 2010. At that time, funding became more tightly linked to performance measures. Incentives for providers are matched by greater targeting of student loans using performance requirements and limits on lifetime eligibility.

## Research performance is improving

Tertiary education develops New Zealand's research and science base alongside its role in building skills. Providers are producing more research outputs, and these outputs are of higher quality. For example, the share of world-indexed journal publications and citations of research from New Zealand tertiary education institutions has increased significantly since the mid-2000s.

## Tertiary education has a real impact for people

Most students commit their time, effort and money to tertiary education with the intent of achieving a better career and greater financial independence. Tertiary education is about much more than economic growth, employment and higher incomes, but focusing on good employment outcomes for students can also enhance tertiary education's contribution to other objectives, such as social and cultural development. This is because the kinds of skills needed for success in the modern economy are largely the same as those that help people to be creative, confident, culturally-enriched citizens.

In many cases, the most important result of tertiary education for learners and their families is whether a graduate has more choices after their study. Learners are achieving better outcomes on leaving tertiary education.

## Government agencies work together to support tertiary education

The Ministry of Education has a stewardship role, developing and sharing information and evidence, and helping identify and make connections across the education system to meet the needs of learners. We provide tertiary education policy advice, research and analysis that helps improve the system's performance for New Zealand. And we work closely with leaders in the tertiary education sector in a variety of ways.

We influence access to education and the shape of the sector through our policy advice to ministers and through providing information. We also work directly with the sector to raise student achievement and improve transitions from secondary schooling to further education and employment.

We work with the Tertiary Education Commission (TEC) and New Zealand Qualifications Authority (NZQA) to assist them to fund and regulate the sector to achieve the government's goals. The TEC is moving from being an allocator of funding to being an investor in the outcomes of tertiary education. NZQA is improving alignment across the qualifications system and bolstering quality assurance.

Other government sector partners include Education New Zealand, Careers New Zealand, the Ministry of Business, Innovation and Employment, social sector agencies and student loan agencies.

## Tertiary Education Strategy

The government sets the direction for the tertiary education system through its Tertiary Education Strategy. The Strategy sets long- and medium-term priorities for change. It guides the work of tertiary education and skills agencies, including the Tertiary Education Commission's planning guidance to providers and its funding decisions.

The current Strategy, issued in March 2014, lists six priorities for improving the contribution of tertiary education for New Zealand:

---

delivering skills for industry

---

getting at-risk young people into a career

---

boosting achievement of Māori and Pasifika

---

improving adult literacy and numeracy

---

strengthening research-based institutions

---

growing international linkages.





2





New Zealand is changing –  
so is tertiary education

## Part 2: New Zealand is changing – so is tertiary education

The future success of the tertiary education system depends on how it adapts to changes emerging now, which will have an impact for decades to come. These changes are driven by:

- ▶ the people in tertiary education and where they live and work
- ▶ the nature of work, jobs and workplaces
- ▶ more use of technology in education delivery
- ▶ an increasingly internationalised approach.

New Zealand will benefit if tertiary education providers, teachers and learners adapt well to these changes and build a strong sustainable future. The Ministry will support all involved to take advantage of the opportunities presented by these changes.

### The people in tertiary education are changing

New Zealand's domestic population is expected to grow, driven more by migration than by the birth rate. Demands on tertiary education will increase as more people from different backgrounds become learners.

Māori and Pasifika will be a larger proportion of New Zealand's working-age population. The tertiary education system needs to be more responsive to the distinctive education needs of these groups.

The median age of New Zealanders is rising and will rise further. People are also likely to be working for longer and their skills needs may change over a longer working life.

Different regions will experience different population growth rates and people will move around the country. This will change the demand for tertiary education provision across New Zealand.



# 10%

of 15- to 39-year-olds will  
be **Pasifika** by 2021

# 17%

of 15- to 39-year-olds will  
be **Māori** by 2021

# 40%

of 15- to 39-year-olds will  
live in Auckland by 2021

The number of 15- to 39-year-olds is expected to decrease in Gisborne, Hawke's Bay, Taranaki, Marlborough, West Coast and Southland



---

## **Demands on tertiary education will increase as more people from different backgrounds become learners**

---

### **Work, jobs, communities and workplaces are changing**

More people moved into tertiary education as unemployment increased from 2008, during the most recent recession. Now that the economy is recovering, employment is rising. This is likely to increase demand for work-based training and reduce demand for provider-based, full-time study.

As the population ages and as technology changes the ways we communicate, work practices and processes, people will have more ongoing development and skill needs. Tertiary education providers will have to develop new approaches and new ways of working with industries, communities and employers to meet these needs. Students will increasingly want their learning to be:

- ▶ in work, or integrated with work
- ▶ delivered in more flexible ways
- ▶ focused on improving skills in specific areas rather than as part of a traditional qualification.

The skills needed across the economy and communities will also change. In a competitive, global labour market, New Zealanders will increasingly need skills that are recognised by global employers and that meet the needs of a small, open economy. This includes the skills and competencies to work across different cultural settings. As the Māori economy becomes a greater force, there will be increasing demand for workers who are competent in a Māori context, who have Māori language and tikanga skills, working in or with Māori communities and businesses.



## New technology is bringing challenges and opportunities

New technology is beginning to change tertiary education as Massive Open Online Courses, new learning management systems and other technology-enabled approaches to learning become available. These developments mean changes for how government and education providers will work.

Over time, technology will bring changes to:

- ▶ what people learn
- ▶ how it is delivered, including the role of face-to-face learning and physical spaces
- ▶ the nature and shape of qualifications as signals for employers of the skills and knowledge gained by learners through their education.

Technological innovations will also bring opportunities for the tertiary sector to:

- ▶ collaborate more, share ideas and make better use of resources, such as through alliances that share expertise and capabilities
- ▶ offer options that meet the needs of a diverse student body, including customised learning and new work-and-learn options for people in the workforce.

With the sector, we are looking at how technology will change tertiary education. The sector has identified disincentives for some providers to take up the opportunities created by changing technology and methods of delivery. For example, in the future, some groups of students may want to select their learning from a wide menu of options and providers, without the need to focus on one area of study or provider. This approach does not fit easily with existing institutional and policy settings, including how quality is assured across tertiary education. These changing expectations also raise questions about the role and design of government funding in the future.



---

**Students around the world will be looking for the best learning options available to them, and they will have more options to choose from, including online choices that are not tied to particular locations**

---

### **International connections are increasingly important**

The tertiary sector is increasingly mobile and internationally connected. International options are increasingly available to students and academics. Providers are developing stronger international links, both to support offshore delivery and to bring more international students into New Zealand's domestic institutions.

As overseas providers move into the domestic market – either physically or with online delivery – New Zealand providers will need to ensure they are internationally competitive. Students around the world will be looking for the best learning options available to them, and they will have more options to choose from, including online choices that are not tied to particular locations.

As the academic workforce ages throughout the developed world, and academics are more mobile, tertiary institutions will need to offer the right incentives to attract and retain quality staff members.

### **A dynamic, responsive system will realise these opportunities**

The future tertiary education system needs to be flexible, collaborative and technologically savvy so all New Zealanders can gain the skills and knowledge they need. Achieving this will deliver the broader benefits a well-educated population can provide for society and the economy. Government has a role in supporting the system towards this future. The Ministry will provide information to enable good decisions and policy advice on funding and regulation, and can take decisions that affect the shape of the sector more directly.





3







More relevant education that  
supports all learners to succeed

## Part 3: More relevant education that supports all learners to succeed

For tertiary education to deliver what New Zealand needs and successfully adapt to change, the tertiary education system needs to:

- ▶ improve the **relevance** of tertiary education by ensuring that the skills it develops and the research it produces meet the needs of New Zealand's economy and society
- ▶ support all people to succeed by doing more to **reach** learners who might not otherwise participate or achieve in tertiary education.

Government needs to focus more strongly on how its decisions can support tertiary education providers to be flexible and innovative, and deliver the improvements needed across the system.

### We need to improve relevance

Relevant education and research is important to deliver what New Zealand needs from the tertiary education system. This will mean ongoing work to maintain relevance as the system, and the demands on it, change – in particular, in the face of changing expectations in our communities and across the labour market. For example, as we move out of the global financial crisis, employers are once again starting to find it difficult to attract people with the right skills.



More learners need to gain qualifications that lead to sustainable jobs and careers, and the tertiary education system needs to meet the skills and research needs of society and the economy:

- ▶ students need to know what skills and qualifications will best help them to achieve their career ambitions and life goals, the costs and likely pay-offs from different study options, and the pathways they should follow, so that they can make more informed choices about what, where and how they study
- ▶ education providers need to build stronger connections so they can better understand and respond to the needs of employers, communities and the economy. They need to know what employment outcomes their graduates are achieving to allow them to act to improve these outcomes
- ▶ the research done across the tertiary education sector needs to have more impact on the lives of New Zealanders.

## We have better information – we need to share it and use it more effectively

The information we have is getting better and richer. A key step has been getting better information on what students do once they complete their studies. This includes entering further study, finding employment or going overseas, as well as their employment outcomes such as income and loan repayments. We can track outcomes for qualifications at different levels, in different fields of study and, increasingly, for different tertiary education providers. For example, Figure 3 shows the destinations of young graduates in 2011 and 2012, up to seven years after they completed a qualification. People with higher qualifications are more internationally mobile, more likely to be employed and less likely to be on a benefit.

This information at a national level is already being used to provide information to students and to inform planning and investment by tertiary education providers and government. There is more that can be done with this information. For example, it can be used to inform decisions on where to direct funding changes, building on the approach already taken for engineering.

Students are the key decision-makers – they choose what and where to study and commit their time, energy and funds. Improving the accessibility and quality of information available to students is therefore an important and powerful opportunity. This means providing information about what they need to do to enter the career of their choice, the costs of study and options for where and how to study, and the potential outcomes they may see from their investment. Government agencies are already working together to make this information available, but more is needed.

Giving students better information is not enough to improve relevance. Government agencies also need to be smart about how they use information in strategic planning and investment, and to help providers make the best use of information. This would mean:

- ▶ education providers can use information about the outcomes of study to improve programme design and delivery, and to re-balance provision to better meet the needs of learners, employers, industry and their communities
- ▶ government can focus its investment in tertiary education on study and training that provides good outcomes for learners, the economy and society.

**Figure 3. Higher qualifications are linked to higher employment and migration rates**



Source: Statistics New Zealand: Integrated Data Infrastructure



## Providers need stronger connections with employers and communities – for students

Stronger links with employers and communities will increase relevance. Employers and communities have the best information on what skills and knowledge people need to succeed after study. Close connections with tertiary providers will share that knowledge and help students make better transitions between study and work. There are some well-established links between employers, industry and tertiary education, particularly in vocational education and the professions. Better employer input is required throughout the system to focus more on students' outcomes. A good example is in education itself, where the provision of initial teacher education and the changing needs of early childhood education and schools are not always well matched.

We see opportunities to improve engagement between employers and tertiary education providers and to improve employers' utilisation of skills by supporting innovative trials. This might include internships, clusters of employers working with tertiary education providers, or initiatives within firms to make better use of their workers' skills. The results would inform providers about 'what works', and could also inform government investment and policy decisions.

## Providers need stronger connections with employers and communities – for research

The social and economic value of tertiary education research depends on the exchange of knowledge, expertise and skills between tertiary education providers and industry, non-government organisations, iwi and wider society. Knowledge exchange through research can also increase the relevance of what is taught at tertiary education providers and how it is delivered.

Recent changes to the tertiary education research system seek to achieve this by better recognising and rewarding the relevance of research to end users. These changes need to be implemented well. The leaders of tertiary education research are key to this as they largely determine the focus of research activity.

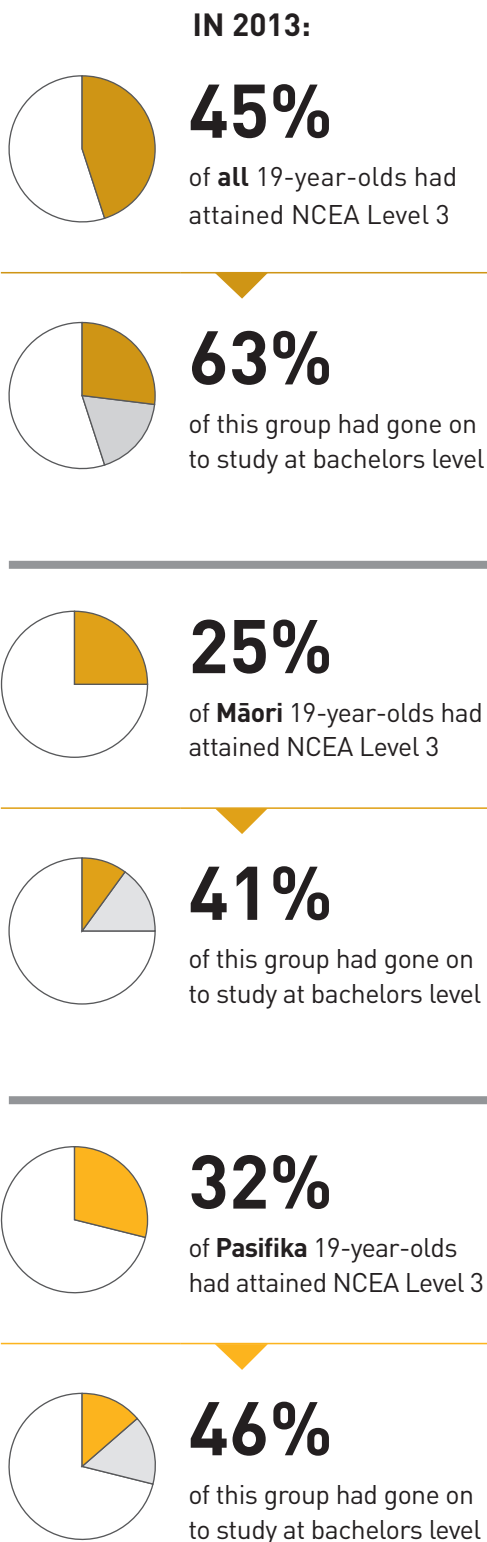
There are examples of good knowledge exchange in particular areas, but engagement between researchers and the users of their research needs to happen more often and more widely. Government can work with the sector to identify ways to encourage this.

## Building international relevance

With a global market for skilled workers and strong international competition in tertiary education, New Zealand needs to offer competitive, responsive, internationally-recognised education that is of value to the learner. New Zealand's institutions need to build on their strengths in research and programme design, as well as export education, to create enduring relationships with overseas partners and show the quality of New Zealand's tertiary education system to the world.

For example, Centres of Research Excellence take New Zealand expertise to leading international research centres and their industry partners. This helps to showcase New Zealand and our institutions, researchers and students, and can attract the best domestic and international academics and graduate students to New Zealand universities and other research-led teaching institutions. Students also benefit from an internationally-relevant education that sets them up for success in the global economy.

**Figure 4. We need more young Māori and Pasifika people to do well at school and move on to degree level study**



## We need to make tertiary education work for everyone

New Zealand will benefit most from tertiary education if all people, from all backgrounds, can participate and achieve to their potential. Tertiary education providers currently serve most people well. However, to help everyone succeed, providers and government agencies need to improve outcomes for Māori and Pasifika learners, people from disadvantaged backgrounds and those who need to build their foundation skills.

Tertiary education providers will better support all to succeed if they deliver a stronger focus on learners and their diverse needs. This includes providing high-quality, culturally-responsive learning opportunities that build from learners' existing strengths, including those gained in Māori-medium education, and setting high expectations for all learners.

## Support for all people to enter and progress through tertiary education

More information is available now, but people looking to enter tertiary education do not always have the right information or advice they need to make good decisions about what to study. Nor is it easy to see where different pathways can take them. Information provision and pathways need to be designed to meet the needs of diverse and non-traditional learners.

Information to support young people to enter tertiary education can be provided through effective careers education, advice and guidance in schools. We see opportunities to better reach young people at risk of leaving school without education or employment prospects.

We also need to help secondary school students make choices that will give them the best opportunities for success in tertiary education and their careers. Government has already seen gains from a focus on this area. Tertiary education providers can significantly contribute to this by working more effectively with schools to ensure that students not only achieve good NCEA results, but also progress and succeed in the best options for them in tertiary education. Figure 4 shows that Māori and Pasifika students who achieve NCEA Level 3 are less likely than other students to move on to study for a degree.

Better advice and information is also needed for those who come to tertiary education through in-work learning or to build their skills. In this case, there is a bigger role for employers and industry. People with low levels of basic skills may also be encouraged to move on to study for formal qualifications through their contact with community education providers.

Government agencies have worked together to identify the following changes we can make to improve students' career planning and study decisions:

- ▶ provide better quality careers education, advice and guidance *for school students* by strengthening the incentives for schools to deliver best-practice careers education. In addition, government agencies can work together to develop and evaluate new approaches to ensure students have access to practical, evidence-based, comprehensive and consistent careers advice. This may include supporting clustering and trialling targeted programmes for students at risk of dropping out of education
- ▶ develop user-friendly information for prospective students building on existing work to improve information for students – for example, through the TEC's Information for Learners project. Government agencies also plan to work together to provide more information to support learners and to use different channels to target a wider group of learners.

We also need to continue to improve pathways for learners, and the use of existing pathways. This allows people to find the best way for them to move from school, employment or unemployment into study or training, and on into rewarding work. Recent progress developing Vocational Pathways in partnership with industry and educators has provided a strong starting point.

Building from this, government can work with providers, employers, schools and the community to identify more and better ways to support learners. The information held by government agencies is central to these efforts, as it will help government and the sector to identify where and how best to reach those learners not currently participating and achieving in tertiary education.

## Some groups of learners may need extra support, assistance or advice to move into tertiary education and to succeed once they are there

### Foundation education

Tertiary education has always provided foundation level learning, equivalent to NCEA Levels 1 and 2. Study at these levels became increasingly common through the 2000s. By 2011, 18,000 learners were studying at this level and half of them already held qualifications at level 2 or above.

Changes since 2011 have focused level 1-2 provision on learners who need it most and on ensuring those learners gain the core skills needed for further study or work. Alongside clearer expectations, government has increased funding to providers so that students aged under 25 can gain qualifications up to level 2 fees-free.

## Better targeting of support

New Zealand's public investment in tertiary education is designed to promote broad access and participation. Providers' funding is based on the number of students who choose to study with them and their success in meeting outcome targets. Young people can also access free foundation education, while tuition subsidies at higher levels cover around 70% of the total cost of courses. Student loans enable students to borrow against their future earnings to meet their share of the cost of their education, including the costs of living while studying. Student allowances are more tightly targeted, providing living cost support for learners from lower-income families who may face greater barriers to successfully completing their tertiary qualifications.

This approach has supported high levels of participation in tertiary education. But some groups of learners may need extra support, assistance or advice to make the move into tertiary education and to succeed once they are there. For example, Māori and Pasifika students have relatively low levels of participation in higher levels of education (where returns are greatest), and lower qualification completion rates. New Zealand also has relatively high numbers of people with low skills who would benefit from foundation education and of young people who are not in education, employment or training.

Reaching these target groups will not only be about providing financial support and assistance. It will also require providers to be increasingly innovative and flexible in meeting the needs of an increasingly diverse community and student body. This will mean different things for different groups, and different approaches across different providers. For example, improving participation of older, low-skilled workers might involve partnerships with employers or flexible ways of delivering programmes through and around work.

Government can support providers better to be innovative, flexible and responsive through better targeting of support and by setting high expectations. Currently, New Zealand directs relatively little funding to tertiary providers to improve the outcomes for priority groups. Less than one per cent of government's spending on tuition subsidies is targeted in this way through equity funding. Targeting support

for priority groups could improve the outcomes for individuals and groups, and government's return on its investment, as more skilled people move through the tertiary education system.

Options to better target support include:

- ▶ linking a greater share of providers' funding directly to meeting the needs of priority groups, or developing sharper performance measures and accountability for this
- ▶ working with providers, employers and communities to identify and support priority learners and those who need extra support
- ▶ working across government to identify where and how we might want to invest in skills development for particular groups – for example, there may be particular beneficiary groups that would gain from study, and who could be encouraged to shift off benefit through incentives.

## We need a more flexible, outcome-focused approach to regulating and funding the system

The core features of New Zealand's approach to funding and regulating tertiary education are sound. The system has adapted well to changes in recent years that aimed to put a stronger focus on performance and to address concerns about quality and cost control.

Tertiary education providers have a lot of autonomy about what they do and how they work. This promotes choice for students and more efficient and well-informed decisions about provision. Government's approach to funding and regulation aims to protect quality, manage costs for students and taxpayers, and improve relevance and equity. Some sector leaders are concerned that some current policy settings – including controls on student fees and on providers' growth – go further than necessary, limiting the innovation and responsiveness needed to deliver for New Zealand.

We see opportunities to further improve the way government regulates and funds tertiary education to focus more on improving outcomes for learners.



## Funding and regulation have focused on education outputs and managing risks

Over the last decade, government regulation and funding for tertiary education has changed to focus more on outputs and performance, to improve quality and to control costs.

Funding is now linked more closely to performance. Tuition subsidies are tied to published Education Performance Indicators (EPIs), with five per cent of providers' funding based on measures of how students complete courses and qualifications and progress to higher levels of study. The TEC also uses providers' performance against the EPIs to allocate future funding. Funding through the Performance-Based Research Fund is based on research degree completions, earned research income and quality assessments, where research funding was previously based largely on graduate student numbers.

Controls on government funding and on domestic student fees have been increased. Total government funding for tuition is capped, and domestic student fee increases are generally limited to four per cent per year. Each provider's tuition subsidy funding is limited to the number of students and the mix of programmes agreed by the TEC through investment plans.

Quality requirements have been strengthened and linked more closely to funding, and quality assurance for providers has changed to emphasise self-review and continuous improvement. Some aspects of regulation and funding have also been streamlined. NZQA has worked with providers to reduce the number of different qualifications on offer, making it easier for students to switch between providers and to build qualifications that employers can clearly understand and recognise. The number and complexity of funds administered by the TEC has also been reduced.

Other recent changes have aimed to target public spending more effectively within budget constraints:

- ▶ recent tuition subsidy increases have targeted fields and levels of study that are government priorities for growth, or that new data has shown to be relatively under-funded – increases have been targeted mostly at degree level and above, in fields such as engineering, science and agriculture, and there has been no across-the-board tuition subsidy rate increase since 2009
- ▶ student support changes have included a greater focus on achieving results from tertiary education, through tightening eligibility criteria (including academic performance requirements and age and time limits) and greater emphasis on student loan repayments (including a focus on overseas borrower repayments and a freeze of the repayment income threshold).

These changes over the last decade have helped to achieve government goals. There are now opportunities to encourage a greater focus on relevance and equity of outcomes.

---

**Setting a few, well-selected targets to improve results can send a powerful message to providers and the sector**

---

## **A stronger focus on outcomes will improve relevance and equity**

We want to focus tertiary provision more on outcomes, emphasising relevance and success for all learners. Setting a few, well-selected targets to improve results can send a powerful message to providers and the sector. A key opportunity is to improve the performance measures that inform students' study choices and the TEC's funding decisions. We need to assess how we make best use of the improving information we are now gathering to direct resources more effectively and to manage cost and quality risks. We need to do this while continuing to enable providers to innovate and respond to the changing demands of students, employers and the community.

Tertiary providers are very responsive to financial and reputational incentives. The current EPIs have helped to encourage and reward the sector's strong focus on educational achievement. However, the way we use performance information could be made more balanced and effective, to encourage tertiary education providers to consider how well their students' qualifications equip them for success after completing their studies. This would also assist them to identify how well they are supporting New Zealanders from all backgrounds to succeed. The TEC could make better-informed funding decisions, and students could make better-informed choices about what and where to study.

The way the planning and funding system is designed and operated can also be improved to support innovation by providers and ensure that they are able to manage through the challenges that are coming for tertiary education. This could include:

- ▶ easing constraints for high-performing providers and for qualifications that deliver good outcomes, so that providers can respond faster to student and industry demand
- ▶ the TEC more actively reallocating funding to providers who are performing well and signalling when it will fund more student places in programmes with high demand that are achieving good outcomes
- ▶ enabling the TEC to fund more innovative types of activity, such as consortia arrangements or to purchase programmes that require provider/industry connections.



The TEC is taking a more active approach to allocating resources across the system, taking a wider view of performance measurement than the current EPIs, and looking at how it can support greater relevance and more innovation. Many changes can be advanced without major change to funding policy or legislation. The Ministry can work closely with the TEC and the Ministry of Business, Innovation and Employment to identify if policy change is required to enable the TEC to deliver funding more effectively.

Government currently controls all the revenue that providers can earn for teaching New Zealand students through capped tuition subsidies and fee controls. We think there are potential benefits in giving high-performing providers more flexibility to increase fees for qualifications that are in high demand or that offer students the highest income premiums. This would increase providers' incentives to expand provision and differentiate providers according to quality and reputation.

Changes to fee regulation would be carefully considered due to the implications for student support costs (as much of any fee increase will be financed by student loans), the future shape of the network, quality, cost and equity of access.

## The shape of the tertiary sector will continue to change

To meet the changing needs of students, communities and the economy, and to capture the benefits of changing technology, New Zealand's network of public and private tertiary education providers will need to continuously adapt and innovate.

The high level of autonomy and competition in our tertiary education system is a strength that promotes student choice and innovation. Individual institutions manage their own investment and development, although government has a direct investment interest in public tertiary institutions as it bears the risk of financial failure. Much of the change that will need to occur across our tertiary education network will therefore happen progressively and independently of governmental intervention. Resources will shift across the network following changes in patterns of demand from students and employers, and as institutions invest in new ways of delivering education.

Tertiary education providers will adapt by investing in changes to their mix of teaching and research and how this is delivered. Some tertiary education providers will grow. Others will be challenged to sustain the quality and scope of their activities in the face of declining demand.



Photo credit: Te Whare  
Wānanga o Awanuiārangī

---

## Tertiary education generally performs well for most people, but it could do better to meet the needs of our economy and society

---

Decisions about how government funds and regulates the system are likely to affect the shape and sustainability of the network. For example:

- ▶ a funding approach that emphasises predictability and certainty of planning would offer more stability for individual tertiary education providers (and therefore the network) but it would not promote quick responses to changing performance or demand
- ▶ a more responsive and flexible funding approach that reallocates resources according to performance would improve relevance and equity of outcomes. However, it may also reduce stability for education providers and the network, raising issues of access, equity and quality that would need to be managed.

The position of our universities in a competitive, international, higher education market is one key issue for the future development of the tertiary education network. The universities' overall plans for growth in domestic student numbers exceed likely future demand, and are driven in part by a focus on international university rankings as a driver of international student and staff recruitment and opportunities for research collaboration.

We think there are opportunities to improve the value our universities contribute to New Zealand by improving collaboration and specialisation. This includes collaboration in developing and delivering education programmes, and more coordination between universities and other research institutions to increase the impact of research and make more effective use of research facilities and expertise.

How the network adapts to change will depend on the actions of providers, students, industry and the community. Government agencies need to work with the sector to increase our understanding of how change will impact on the network, and to provide sector leaders with the information they need to manage change. Government can help tertiary education providers to adapt more quickly by ensuring that its funding and regulatory systems are flexible and responsive.





## Working with you

---

**We will work with you to ensure that what we do delivers on your priorities as Minister**

---

Tertiary education is important for the future success of New Zealand and New Zealanders. It helps people to improve their lives and the lives of those around them. The skilled people and high-quality research it produces contribute to better outcomes for our communities, businesses and the economy.

Tertiary education generally performs well for most people, but it could do better to meet the needs of our economy and society. In particular, there are things we can do to support tertiary education to be more relevant and to better reach all people. The system, and our providers, need to be better supported to adapt to and take advantage of changes ahead.

The Ministry of Education works with its partners in government, and with the sector, to improve the outcomes from tertiary education. We are the stewards of the tertiary education system.

We will work with you to ensure that what we do delivers on your priorities as Minister.

We can provide further briefings as a basis for decisions you may wish to take on the issues and actions we have raised.

We look forward to working with you.



